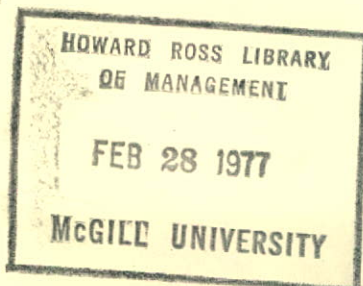


Aluminum Company of Canada, Ltd



1976

Financial Statements



On pourra se procurer le texte français de ce rapport en s'adressant au
secrétariat de la Compagnie, case postale 6090, Montréal, Canada, H3C 3H2

Aluminum Company of Canada, Ltd

CONSOLIDATED STATEMENT OF INCOME

year ending 31 December 1976

	in thousands of U.S. dollars	
	1976	1975
REVENUES		
Sales	\$1,460,156	\$1,407,019
Operating revenues	75,814	72,945
Other income (note 8)	10,178	6,700
	1,546,148	1,486,664
COSTS AND EXPENSES		
Cost of sales and operating expenses	1,362,621	1,251,133
Depreciation and depletion	66,790	65,212
Selling, research and administrative expenses	101,407	97,264
Interest on debt not maturing within one year	52,145	56,336
Other interest	9,554	10,606
Other expenses	2,373	4,767
	1,594,890	1,485,318
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY INCOME	(48,742)	1,346
Income taxes (note 9)		
Current	5,227	88
Deferred	(35,792)	2,249
	(30,565)	2,337
INCOME (LOSS) BEFORE EQUITY INCOME	(18,177)	(991)
Equity in net income of companies 20-50% owned (note 1)	945	1,535
NET INCOME (LOSS)	\$ (17,232)	\$ 544

Aluminum Company of Canada, Ltd

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

year ending 31 December 1976

	in thousands of U.S. dollars	
	1976	1975
SOURCE OF FUNDS		
Net income (Loss)	\$ (17,232)	\$ 544
Depreciation and depletion	66,790	65,212
Deferred income taxes	(35,792)	2,249
Other	(1,024)	(763)
From operations	12,742	67,242
New debt	84,425	36,858
Preferred shares	—	49,235
Common shares	81,207	9,847
Disposals of plant and equipment	3,107	10,797
Other	9,761	29,359
	191,242	203,338
APPLICATION OF FUNDS		
Plant and equipment	67,439	112,642
Investments	6,004	2,064
Debt repayments	141,548	52,396
Redemption of preferred shares (par value)	4,471	1,817
Dividends	18,106	12,247
	237,568	181,166
INCREASE (DECREASE) IN WORKING CAPITAL (note 11)	(46,326)	22,172
Working capital — beginning of year	398,149	375,977
WORKING CAPITAL — END OF YEAR	\$351,823	\$398,149

Aluminum Company of Canada, Ltd

CONSOLIDATED BALANCE SHEET — ASSETS

31 December 1976

	in thousands of U.S. dollars	
	1976	1975
Current assets		
Cash and time deposits	\$ 14,797	\$ 27,441
Receivables	176,689	168,214
Receivable from affiliated companies	60,801	81,570
Aluminum	194,292	186,750
Raw materials and other supplies	279,030	262,827
	<u>725,609</u>	<u>726,802</u>
Deferred charges	30,115	20,661
Deferred receivables (note 2)	51,922	56,216
Investments in companies owned 50% or less (note 1)	29,195	27,226
Property, plant and equipment (note 3)	2,067,074	2,013,053
Less: Accumulated depreciation and depletion	1,199,302	1,146,807
	<u>867,772</u>	<u>866,246</u>
 TOTAL ASSETS	 \$1,704,613	 \$1,697,151

Aluminum Company of Canada, Ltd

CONSOLIDATED BALANCE SHEET — LIABILITIES AND SHAREHOLDERS' EQUITY

31 December 1976

	in thousands of U.S. dollars	
	1976	1975
Current liabilities		
Payables	\$ 196,631	\$ 165,284
Short-term borrowings	30,679	68,077
Payable to affiliated companies	10,561	13,792
Payable to parent company	102,843	53,595
Income and other taxes	9,551	3,111
Debt maturing within one year (note 4)	23,521	24,794
	<u>373,786</u>	<u>328,653</u>
Debt not maturing within one year (note 4)	564,582	620,670
Deferred credits (note 5)	55,777	40,199
Deferred income taxes	87,021	122,693
Shareholders' equity		
Cumulative redeemable preferred shares (note 7)		
4% First preferred sinking fund — par Can. \$25		
Authorized — 158,526 shares		
Outstanding — 151,711 shares (1975 — 157,076)	3,447	3,570
4½% Second preferred sinking fund — par Can. \$50		
Authorized — 503,508 shares		
Outstanding — 412,527 shares (1975 — 498,077)	20,935	25,283
\$2.00 Third preferred — par Can. \$25		
Authorized — 4,000,000 shares		
Outstanding — 2,000,000 shares	49,235	49,235
Common shares — without nominal or par value (note 7)		
Authorized — 20,000,000 shares		
Outstanding — 11,425,736 shares (1975 — 10,200,000)	330,811	249,604
Retained earnings (note 6)	219,019	257,244
	<u>623,447</u>	<u>584,936</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,704,613	\$1,697,151

Approved by the Board: DAVID M. CULVER, Director

JOHN H. HALE, Director

Aluminum Company of Canada, Ltd

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

year ending 31 December 1976

	in thousands of U.S. dollars	
	1976	1975
RETAINED EARNINGS — beginning of year	\$ 257,244	\$ 270,278
Net income (Loss)	(17,232)	544
	<u>240,012</u>	<u>270,822</u>
Underwriting commission and expenses of share capital issues	2,887	1,331
Dividends		
First preferred	151	155
Second preferred	971	1,109
Third preferred	3,984	983
Common	13,000	10,000
	<u>18,106</u>	<u>12,247</u>
RETAINED EARNINGS — end of year (note 6)	\$ 219,019	\$ 257,244

NOTES TO FINANCIAL STATEMENTS

in thousands of U.S. dollars

1. SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies more than 50% owned. In addition, under the equity accounting principle, consolidated net income includes the Company's equity in the net income or losses of all companies 20-50% owned and the investments in these companies have been increased by the Company's share of their undistributed net income since acquisition. When the cost of an investment differs from the book value of the Company's equity therein at date of acquisition, the difference is amortized over the estimated useful life of the related fixed assets. Intercompany items and transactions between consolidated companies, including profits in inventories, are eliminated.

TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS

The consolidated financial statements are expressed in U.S. dollars since this is the principal currency of international trade in which the Company's business is mainly involved.

Accounts included in the consolidated statement of income, except depreciation and depletion, are translated at average rates of exchange prevailing during the year. Accounts included in the consolidated balance sheet are translated at rates of exchange at year end except that (a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates at dates of acquisition, (b) deferred income taxes are at rates at dates of origin, and (c) debts not maturing within one year and capital stock are at rates at dates of issue. Translation adjustments are included in income.

The Financial Accounting Standards Board in the United States requires that companies reporting to investors in the United States adopt the practice of translating long-term debt at current rates of exchange. However, as the Company's borrowings in currencies other than U.S. dollars have been invested for the most part in the country of the borrowing and will be repaid out of funds generated in the same currency, the Company believes that it could be misleading and cause violent fluctuations in reported earnings to recognize immediately translation gains or losses which arise from changes in exchange rates. Accordingly, the Company has not adopted the current rate method but has continued to follow its policy of translating such debt at historic rates, an accounting practice which is generally accepted in Canada. The table on page 7 compares reported net income with the net income that would have been reported using the FASB current rate method, and also shows the cumulative effect on retained earnings.

Aluminum Company of Canada, Ltd

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

	1976		1975	
	As Reported	Current Rate Method	As Reported	Current Rate Method
Consolidated net income (Loss)				
First quarter (unaudited)	\$ 5,284	\$ 1,354	\$ (556)	\$ 1,257
Second quarter (unaudited)	4,587	1,606	(574)	4,056
Third quarter (unaudited)	(17,948)	(15,858)	5,171	7,431
Fourth quarter (unaudited)	(9,155)	(4,180)	(3,497)	(7,052)
	<u>\$ (17,232)</u>	<u>\$ (17,078)</u>	<u>\$ 544</u>	<u>\$ 5,692</u>
Consolidated retained earnings				
Beginning of year	\$257,244	\$261,410	\$270,278	\$269,296
End of year	219,019	223,339	257,244	261,410

DEFERRED INCOME TAXES

Income tax regulations in Canada and certain other countries permit the deduction from taxable income of certain items (principally depreciation) in amounts which do not coincide with those charged for financial reporting purposes. The effect of such timing differences on income taxes otherwise payable is recognized as deferred income taxes.

INVENTORIES

Aluminum, raw materials and other supplies are stated at cost or net realizable value, whichever is the lower. The cost of inventories other than those in the United States is determined for the most part on the monthly average method. The cost of inventories of a subsidiary in the United States, amounting to \$116 million, is determined by the last-in first-out method, which is permitted for income tax purposes. Had such inventories been valued on the monthly average method, the value would have been \$57 million higher.

OTHER

Property, plant and equipment includes the cost of renewals and betterments. Repairs and maintenance are charged against income as incurred.

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

2. DEFERRED RECEIVABLES

Deferred receivables include \$44 million (1975 — \$46 million) due from the Government of Guyana over the period 1978 to 1991 in respect of the nationalization in 1971 of the Company's bauxite and alumina assets in that country. This amount bears interest at 6% per annum.

Aluminum Company of Canada, Ltd

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accum. Deprec.	Net 1976	Net 1975
Land, and water rights	\$ 49,005	\$ 381	\$ 48,624	\$ 48,485
Mineral properties, rights and development	15,256	6,307	8,949	9,271
Raw material, power and other facilities	887,752	565,594	322,158	321,109
Smelting facilities	731,089	447,629	283,460	281,398
Fabricating facilities	383,972	179,391	204,581	205,983
	<u>\$2,067,074</u>	<u>\$1,199,302</u>	<u>\$ 867,772</u>	<u>\$ 866,246</u>

Expenditures in 1977 are expected to be approximately \$170 million.

4. DEBT NOT MATURING WITHIN ONE YEAR

	1976	1975
Aluminum Company of Canada, Ltd		
*Bank loans under \$200 million revolving credit agreement, due 1980/1984	\$ 50,000	\$120,000
9 1/2% Sinking fund debentures, due 1995	100,000	100,000
10 3/4% Sinking fund debentures, due 1994 (Can. \$75 million)	76,500	76,500
9 3/8% Sinking fund debentures, due 1991 (Can. \$57 million)	56,391	59,406
4 1/2% Sinking fund debentures, due 1980	11,710	25,168
7 1/8% Serial debentures, due 1977/1979 (Can. \$30 million)	29,850	39,800
9 1/2% Sinking fund debentures, due 1988	50,000	—
5.10% Notes, due 1977/1992	72,000	76,500
Other debt, due 1977/2001	10,852	8,871
Alcan Aluminum Corporation (U.S.A.)		
9 1/2% Notes, due 1980/1994	45,000	45,000
4 3/4% Notes, due 1977/1984	27,200	30,600
Other debt, due 1977/1990	4,743	4,381
Alcan (Bermuda) Limited		
7 5/8% Notes, due 1977/1978 (Lire 6.5 billion)	10,375	14,375
Alcan Jamaica Limited		
**Bank loans, due 1978/1980	44,400	44,400
Sundry debt of other subsidiaries	529	531
	<u>589,550</u>	<u>645,532</u>
Less: Debt maturing within one year included in current liabilities (equivalent to \$23.5 million and \$24.8 million, respectively, at year-end rates of exchange)	<u>24,968</u>	<u>24,862</u>
	<u>\$564,582</u>	<u>\$620,670</u>

*Interest fluctuates with lender's prime commercial rate.

**Interest is related to the London interbank offered rate.

After allowing for prepayments, sinking fund and other requirements over the next five years amount to \$25.0 million in 1977, \$41.7 in 1978, \$37.3 in 1979, \$48.3 in 1980 and \$32.1 in 1981.

If translated into United States dollars at year-end rates of exchange, debt not maturing within one year would decrease by \$4.3 million and, if there were no further change in exchange rates, this amount would be credited to income as the debt matures.

Aluminum Company of Canada, Ltd

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

5. DEFERRED CREDITS

Deferred credits include \$44 million prepayment by an associated company under an alumina tolling arrangement.

6. DIVIDEND RESTRICTIONS

Pursuant to the provisions of certain debt and share issues, Can. \$100 million of retained earnings at 31 December 1976 is not distributable as dividends either in cash or in kind on the common shares of the Company.

7. PREFERRED AND COMMON SHARES

In 1976, the Company issued 1,225,736 common shares to Alcan Aluminium Limited, the parent company, for a cash consideration of Can. \$78.0 million (U.S. \$79.5 million) and for an investment valued at Can. \$1.7 million (U.S. \$1.7 million).

Maximum annual sinking fund requirements for the retirement of the first and second preferred shares amount to the equivalent of Can. \$2.7 million per annum. The 1977 sinking fund requirements have been met by purchases in the open market.

The preferred shares also may be called for redemption at the option of the Board of directors at the following prices:

4% First preferred shares — on twenty days' notice at Can. \$26.375 per share.

4½% Second preferred shares — on thirty days' notice for other than sinking fund purposes at Can. \$51.75 per share, and for sinking fund purposes, at Can. \$51.50 per share.

\$2.00 Tax deferred retractable preferred shares — on thirty days' notice at Can. \$27.00 per share during the twelve months beginning 1 December 1980, Can. \$26.80 during the succeeding twelve months and reducing by Can. \$0.30 per share in each of the succeeding twelve-month periods until 30 November 1987, after which the shares will be redeemable at Can. \$25.00 per share.

Any partial redemption must be made on a pro rata basis or by lot.

8. OTHER INCOME

	1976	1975
Interest	\$ 4,770	\$ 4,891
Gain on redemption of debt	2,586	485
Other	2,822	1,324
	<u>\$10,178</u>	<u>\$ 6,700</u>

9. INCOME TAXES

The difference between the effective tax rate and prevailing tax rates in Canada results primarily from investment and other allowances in Canada and in the United States and from non-taxable income, offset in part by losses sustained by a subsidiary company in Jamaica, for which no future income tax benefit has been anticipated.

10. COMMITMENTS

The Company and its parent have entered into long-term cost-sharing joint ventures. The fixed portion of the commitments under these arrangements amounts to \$20.0 million in 1977, \$20.1 in 1978, \$19.2 in 1979, \$24.1 in 1980, \$21.0 in 1981 and lesser annual amounts up to 1992.

Minimum rental commitments under long-term leases, including charter hire of ships, amount to \$26.6 million in 1977, \$15.2 in 1978, \$8.1 in 1979, \$7.5 in 1980, \$5.5 in 1981 and lesser annual amounts thereafter. Total rental expense amounted to \$50.5 million for 1976 (1975 — \$51.7).

See also reference to capital expenditures in note 3 and debt repayments in note 4.

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

11. CHANGES IN WORKING CAPITAL	1976	1975
Current assets		
Cash and time deposits	\$ (12,644)	\$ (1,780)
Receivables	8,475	3,665
Receivable from affiliated companies	(20,769)	(25,360)
Aluminum, raw materials and other supplies	23,745	1,527
	(1,193)	(21,948)
Current liabilities		
Payables and short-term borrowings	(6,051)	(85,190)
Payable to affiliated companies	(3,231)	11,147
Payable to parent company	49,248	52,881
Income and other taxes	6,440	(21,605)
Debt maturing within one year	(1,273)	(1,353)
	45,133	(44,120)
Net increase (decrease)	\$ (46,326)	\$ 22,172

12. PENSION PLANS

The Company and its subsidiaries have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. The total pension expense in 1976 was \$24.4 million (\$22.6 in 1975) which includes, as to certain of the plans, amortization of unfunded actuarial liabilities which the Company and its subsidiaries are funding. The unfunded actuarial liability for currently vested benefits amounted to \$10.2 million. Based on the most recent actuarial reports, the total unfunded actuarial liability for all plans amounted to \$85.6 million, which for the most part is being funded over a period of 15 years.

During 1976 an increase in unfunded actuarial liability of \$26 million arose from amendments made to a Canadian pension plan covering unionized employees.

13. REMUNERATION OF DIRECTORS AND OFFICERS

The Company has 12 directors who receive no remuneration as such. There are 15 officers, five of whom are directors of the Company. The aggregate remuneration received from the Company by these officers and by past officers amounted to \$1,107,215 in 1976 (\$943,792 in 1975).

14. QUARTERLY FINANCIAL DATA (unaudited)

	1976			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$362,333	\$436,199	\$360,635	\$386,981
Costs and expenses	353,647	423,534	399,733	417,976
Income taxes	3,531	8,513	(20,951)	(21,658)
Equity income	129	435	199	182
Net income (Loss)	\$ 5,284	\$ 4,587	\$ (17,948)	\$ (9,155)

15. REPLACEMENT COST DATA (unaudited)

The table on page 11 provides disclosure of replacement cost data as required by the Securities and Exchange Commission (S.E.C.) Accounting Series Release No. 190 announced in March 1976.

The Company and its major operating subsidiaries made detailed reviews of their fixed assets and inventories, and calculated the replacement cost mainly by valuing specific assets or operating capacities. Valua-

Aluminum Company of Canada, Ltd

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

tions for fixed assets and inventories of the remaining smaller subsidiaries were based on appropriate indices. Depreciation and depletion expense was calculated on the straight-line method applying existing rates to the estimated replacement cost. Replacement cost of sales was determined by adjusting historical costs for the estimated inflation occurring during the period between production and sales.

Because of the lack of established standards, the considerable degree of continuing experimentation, and the many subjective judgements required in the compilation of the data, the figures provided cannot give more than a general impression of the values involved, and specific comparisons with other reported data are unlikely to be valid. Any attempt to present a valuation of assets which might replace the existing assets is not sufficiently factual for a satisfactory accounting presentation.

	As Reported	Replacement Cost
†Productive capacity		
Property, plant and equipment	\$2,067,074	\$5,359,000
Accumulated depreciation and depletion	1,199,302	3,354,000
	\$ 867,772	\$2,005,000
Depreciation and depletion expense	\$ 66,790	\$ 171,000
Inventories	\$ 473,322	\$ 559,000
Cost of sales and operating expenses	\$1,362,621	\$1,376,000

†Land, water rights and mineral properties have not been revalued and are included in the estimated replacement cost at their historical value of \$64.3 million. Accumulated amortization and depletion relating to these assets of \$6.7 million also have not been revalued and are included in the replacement data without change.

16. INFORMATION BY GEOGRAPHIC AREAS

Year ending 31 December 1976	Canada	United States	Caribbean	Eliminations	Consolidated
Sales to and operating revenues from					
Subsidiary companies	\$173,277	\$ 58,097	\$ 1,325	\$(232,699)	\$ —
Other companies	803,645	640,159	105,693	(13,527)	1,535,970
Total	976,922	698,256	107,018	(246,226)	1,535,970
Net income (Loss)	(20,248)	12,308	(8,076)	(1,216)	(17,232)
31 December 1976					
Working capital	\$199,556	\$133,069	\$34,921	\$(15,723)	\$351,823
Fixed capital (net)	663,835	130,990	73,794	(847)	867,772
Investments and other assets	47,983	2,016	5,529	(73)	55,455
Capital employed	911,374	266,075	114,244	(16,643)	1,275,050
No. of employees (in thousands)	18	5	2		25

Sales to subsidiary companies are made at a fair market price, recognizing volume, continuity of supply and other factors. Net income is total revenues less expenses directly related to the geographic area, in accordance with generally accepted accounting principles. Capital employed represents the Company's book value of the net assets located in each area.

Of the Canadian sales to other companies, \$327,565 were export sales principally to the United States, the United Kingdom and Germany.

AUDITORS' REPORT

To the Shareholders of
Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheets of Aluminum Company of Canada, Ltd as at 31 December 1976 and 1975 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the company and its subsidiaries as at 31 December 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles in Canada, applied on a consistent basis.

PRICE WATERHOUSE & Co.
Chartered Accountants

Montréal, Canada
2 February 1977

Aluminum Company of Canada, Ltd

DIRECTORS

A. A. BRUNEAU — Secretary and Chief Legal Officer, Alcan Aluminium Limited

JAMES W. CAMERON — Director, Alcan Aluminium Limited

DUNCAN C. CAMPBELL — Vice President, Public Affairs, Alcan Aluminium Limited

HAROLD CORRIGAN — President, Alcan Canada Products Limited

DAVID M. CULVER — Regional Executive Vice President, Canada, U.S.A. and Caribbean,
Alcan Aluminium Limited

BRUCE DAVIS — President, Alcan Project Services Limited

NATHANAEL V. DAVIS — Chairman of the Board and Chief Executive Officer, Alcan Aluminium Limited

R. F. DONAHOE — Executive Vice President and Director of Operations

JOHN H. HALE — Executive Vice President, Finance, Alcan Aluminium Limited

PAUL H. LEMAN — President, Alcan Aluminium Limited

ROGER PHILLIPS — President, Alcan Smelters and Chemicals Ltd

ERIC F. WEST — President, Alcan Aluminum Corporation

OFFICERS

PAUL H. LEMAN — Chairman of the Board

DAVID M. CULVER — President and Chief Executive Officer

HAROLD CORRIGAN — Executive Vice President

R. F. DONAHOE — Executive Vice President

J. J. GAGNON — Executive Vice President

ROGER PHILLIPS — Executive Vice President

GERALD CLARK — Vice President

M. G. O'LEARY — Vice President

JOHN D. RUNKLE — Vice President

R. F. SHARRATT — Vice President

CLAUDE M. TÉTRAULT — Vice President

JACQUES VAILLANCOURT — Vice President

F. C. WINSER — Vice President

T. L. BROCK — Secretary

ALLAN A. HODGSON — Treasurer



Aluminum Company of Canada, Ltd

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